

Top Secret 233

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NATIONAL INTELLIGENCE DAILY CABLE

Saturday September 25, 1976

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Saturday, September 25, 1976.

The NID Cable is for the purpose of informing senior US officials.

CONTENTS

LEBANON: Situation Report	Page 1
CHINA: Politburo Decisions	Page 2
USSR-CHINA: Soviet Propaganda	Page 3
USSR-RHODESIA: Soviet Reaction	Page 4
UK: Labor Party Conference	Page 5
ETHIOPIA: Situation Report	Page 7

LEBANON: Situation Report

25X1 [] Arab League mediator al-Khuli has put off resuming the tripartite talks on Lebanon until after this weekend's Muslim holiday marking the end of the fast of Ramadan, apparently in part to give the Palestinians and Lebanese leftists time to examine a new Syrian cease-fire proposal.

25X1 [] The Syrian offer reportedly provides for a token Syrian pullback in the Mount Lebanon area, presumably to encourage the Palestinians to reconsider their refusal to withdraw from the mountains.

25X1 [] Both PLO chief Yasir Arafat, who declared a unilateral truce on Thursday, and the Syrians, by their latest proposal, apparently wish to appear as helpful as possible to the new Lebanese president in restoring some momentum to the stalled tripartite negotiations.

25X1 [] The US embassy in Damascus believes that Syrian President Asad's immediate concern, now that Lebanese President Sarkis is in office, is with strengthening the new president's negotiating leverage. It is uncertain, however, how much longer Asad can continue to tolerate the present stalemate.

25X1 [] The Syrians' incremental application of political pressure on Arafat over the past month has produced meager results thus far, while continuing to drain the Syrian treasury.

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25X1 [] //Should Sarkis fail to make any tangible progress soon through negotiations, Asad seems almost certain to use force to try to bring the PLO and the leftists to terms.//

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25X1 [redacted] //The timing of any new Syrian-Christian military
move is likely to depend in part on prospects for a four-power
Arab summit conference in Saudi Arabia. No date has been set
yet for the meeting.

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CHINA: Politburo Decisions

25X1 [redacted] The Chinese party Politburo, which has probably been
meeting since Mao's funeral, may be having difficulty resolving
some of the immediate problems facing it, judging by several
deviations from usual Chinese procedures.

25X1 [redacted] Apart from the larger issue of the succession, which
the leadership may not yet have tackled head-on, the Chinese
have still not announced the disposition of Mao's body or the
future course of the anti-rightist campaign. There also seems
to be some pulling and hauling, even predating Mao's death,
over whether to name Politburo member Wu Te to the post of
chairman of the National People's Congress, the de facto head
of state.

25X1 [redacted] The Chinese have canceled celebrations for National
Day on October 1. Although this is being explained as a continu-
ation of the mourning period for Mao, political problems may be
involved. The last time National Day celebrations were canceled,
in 1971 following an alleged coup attempt by defense minister
Lin Piao, the official explanation was that Peking was trying
to conserve money.

25X1 [redacted] The issue of whether to name Wu Te chairman of
the National People's Congress has been a problem since the
post was vacated in July by the death of Chu Te. Because those
who outrank Wu are physically disabled, he is next in line for
the job; he filled in for Chu Te just before and immediately
following his death. //At that time, embassies in Peking were
advised that the credentials of their new ambassadors should
be addressed to Wu and that he was acting in place of Chu.//

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[] Since late July, however, Wu has not received ambassadors' credentials, a task of the National People's Congress chairman. Although he has on occasion performed other duties of that office, he has not consistently done so. He did not, for instance, receive the credentials of the Icelandic ambassador on Monday, but did make a condolence call at the North Korean embassy on Thursday.

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[] Although little is known of Wu's current political affiliations, he was attacked in wall posters by party leftists in 1974, and is thought to lean to the right. It is possible that the left is now trying to block his promotion. As Congress chairman, Wu could be entitled to a spot on the Politburo's elite standing committee, currently down to four members. This would improve the position of rightists on the committee, which is composed of two leftists, one rightist, and "centrist" Premier Hua Kuo-feng.

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[] The political line-up of this group, half of which are leftists, is not truly representative of the Politburo or the Central Committee. The balance in the standing committee is directly related to the succession since that body, in the immediate future at least, is likely to rule China.

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USSR-CHINA: Soviet Propaganda

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[] Soviet propaganda on China continues in the conciliatory vein adopted since the death of Mao Tse-tung. Soviet propagandists are busy recalling the supposedly halcyon days of Sino-Soviet cooperation in the 1950s and expressing Moscow's desire to return to those days.

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[] The marked shift in Soviet propaganda probably is intended to encourage any of Mao's successors who may be inclined toward less hostile relations with the USSR, or at least to build a public case that Moscow has done everything possible to improve relations with China.

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[] Because it has no real idea where in China's bureaucracy the less anti-Soviet individuals are located, Moscow is trying to appeal to all Chinese leaders who might figure in the succession struggle.

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25X1 [] To attract Chinese party members, Moscow is praising the accomplishments of the Eighth Chinese Party Congress in 1956. Government bureaucrats probably are the intended audience for Soviet propaganda highlighting past Soviet-Chinese cultural and scientific cooperation and Moscow's role in the development of various sectors of China's industry.

25X1 [] The Soviets have not neglected China's military, which they have long maintained will probably be decisive in determining the outcome of China's succession struggle. A broadcast to China on September 14 recalled Moscow's "enormous" aid in forming and strengthening the Chinese armed forces and implied that such aid could again be extended if China would re-join the socialist camp in fighting the common imperialist enemy.

25X1 [] Moscow has also broadcast items intended to encourage a reassessment of the current state of the Soviet-Chinese-US relationship and to exploit or create Chinese frustration with lack of movement in Sino-US relations.

25X1 [] On September 16, for example, a broadcast to China gave details of an alleged recent increase in US military aid to Taiwan and reminded the Chinese that the USSR had always supported China's "just demand" for the return of Taiwan.

25X1 [] China's continuation of its anti-Soviet propaganda has apparently had little effect thus far on Soviet propaganda, probably because Moscow believes that China's new leaders have not yet had time to sort themselves out. If the Chinese continue to go out of their way to express their antipathy toward the USSR, however, the new Soviet line could change abruptly.

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USSR-RHODESIA: Soviet Reaction

25X1 [] The USSR's reaction to reports of Rhodesia's acceptance of the peace plan was predictably negative.

25X1 [] A domestic radio broadcast characterized the plan as a deal made by the "imperialists and racists" behind the backs of the native African majority. The Soviet commentator said it had only the appearance of a settlement and left the racists with a "multitude of loopholes."

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[REDACTED] The broadcast questioned the bona fides of the plan's architects and expressed doubt about trusting promises made by Rhodesian Prime Minister Smith. The commentary concluded by accusing the US and UK of formulating a plan to protect their political and economic interests, which were said to be dependent upon the existence of the "racist regimes."

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[REDACTED] The Soviets are likely to avoid more authoritative commentary until they are sure of the details of the plan and, more importantly, until they have some indication of how the "front-line" African leaders are going to react. [REDACTED]

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UK: Labor Party Conference

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[REDACTED] //The British government's economic strategy will be the focus of attention at the annual Labor Party conference that gets under way on Monday. The debate will reflect the clash between socialist principles and stringent government economic policies designed to cope with recession and inflation. Other important conference topics will include home rule for Scotland, elections to the European parliament, defense spending, race relations, and nationalization plans.//

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[REDACTED] //Prime Minister Callaghan, who will be attending his first conference as party leader, narrowly avoided an embarrassing pre-conference setback at a session of the party's national executive committee yesterday. A left-wing motion calling on the government to reverse its plans to cut the 1977-1978 budget was defeated by a one-vote margin. Despite their defeat, the leftists served notice that they intend to carry their fight to the conference floor, where they stand a good chance of winning majority approval.//

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[REDACTED] //The conference vote will be decided by the trade union delegates, who exercise overwhelming strength because of the bloc-voting system in force at annual meetings.//

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[REDACTED] //Callaghan will be working hard to win the support of the powerful manufacturing-based unions, whose members have escaped the direct effects of planned reductions in public spending. In a last-minute effort to woo these votes, the government announced on Thursday a \$162-million program to provide

jobs for unemployed young people. The government also announced that import quotas would be imposed on television sets from Taiwan, a move many union officials hope is the harbinger of things to come.//

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[] //Conference decisions are not binding on Labor governments, and even if the conference should condemn the government's economic program it is unlikely to induce substantial changes in Callaghan's policies.//

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[] //He may cut and trim here and there, but the government will continue to avoid reflationary measures that could trigger another inflationary spiral. The government is depending on an export-led recovery, with industry re-investing its profits in new job-creating projects.//

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[] //The left's performance at the party gathering will amply demonstrate its ability to harass the government and the Trades Union Congress establishment, but as long as key union leaders stick with Callaghan, he is not in trouble.//

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[] //For the moment, the TUC leadership still seems prepared to cooperate with the government in the area of wage restraints, and to accept some responsibility for improving the efficiency of British industry. This cooperation, however, has its price. The government has already enacted important social welfare legislation and more will be expected.//

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[] //Even this will not be enough if the unions foresee real wages continuing to decline and unemployment remaining high. One senior TUC official recently declared that "there is a limit to the loyalty this government can expect."//

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[] //Although the government-union alliance remains intact, tensions are developing over unemployment and over the impact of two wage-restraint agreements. The leftists sense the government's vulnerability on unemployment and are directing a telling attack on Callaghan over a jobless rate that has already reached record proportions and is still rising.//

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[] //This approach is finding a receptive audience among trade unions, increasingly uneasy about supporting the government in the face of a grim unemployment picture. This is

particularly true of unions representing public employees. Some 60,000 to 70,000 public sector jobs will be eliminated over the next two years as a result of the government's plans to reduce public spending.//

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[REDACTED] //Callaghan's plans for greater autonomy for Scotland will receive better treatment from the delegates than the government's economic policies. Union votes will assure a victory for the government that could sway a sufficient number of wavering Labor members of parliament, to permit passage of enabling legislation for devaluation.//

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[REDACTED] //The conference will probably approve a resolution opposing direct elections to the European parliament, casting further uncertainty on UK ratification of the EC agreement on this subject by the 1978 target date.//

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[REDACTED] //The left is once again expected to launch a major attack on the level of defense spending. Government supporters will try to out-maneuver the left on this matter, but the real threat to military spending lies elsewhere. If the government is forced to make additional cuts in overall public spending, the defense budget will once again absorb another cut. [REDACTED]

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ETHIOPIA: Situation Report

25X1

[REDACTED] The situation in Ethiopia is uneasy in the wake of labor and student unrest this week and the assassination attempt Thursday night against Major Mengistu Hailemariam, the first vice chairman of the ruling military council. Although there are no new reports of serious incidents, scattered strikes apparently continue at banks and other government-controlled institutions.

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[REDACTED] //The unrest has apparently heightened the concern of the council, especially over the threat from the illegal Marxist Ethiopian People's Revolutionary Party.// In recent weeks the government has rounded up members of the party and denounced it with increasing vehemence in the media.

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[redacted] The party, which demands an immediate return to civilian rule, is well organized and has supporters in labor, student, and other urban groups. The strikes this week could be a reaction to the government's campaign against the party.

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[redacted] The organization and other opposition groups could also be exploiting popular dissatisfaction with the government's recent monetary reform program, which calls for the mandatory exchange of old currency and imposes service charges for the redemption of bills of high denominations.

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[redacted] Mengistu announced yesterday that he had been slightly wounded in the attack on his car and that another passenger--rumored to be another member of the ruling council--has been hospitalized.

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[redacted] The council may use the assassination attempt and civil unrest as an excuse to repress its opponents, much like it did during strikes last year. //There are unconfirmed reports that the government used elite military units rather than regular troops to put down disturbances this week.//

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[redacted] The concurrent end of the Muslim observance of Ramadan and celebrations marking one of Ethiopia's most important Christian holidays this weekend could provide opponents with an opportunity to cause further trouble. [redacted]

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Next 2 Page(s) In Document Exempt

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